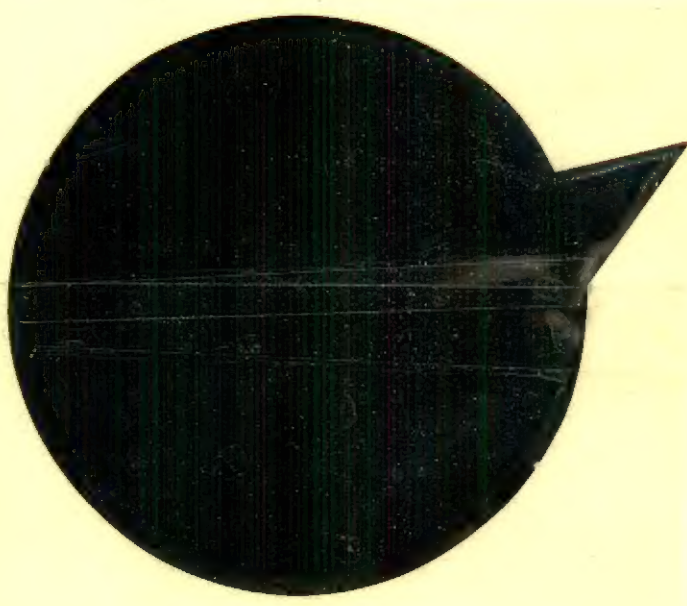


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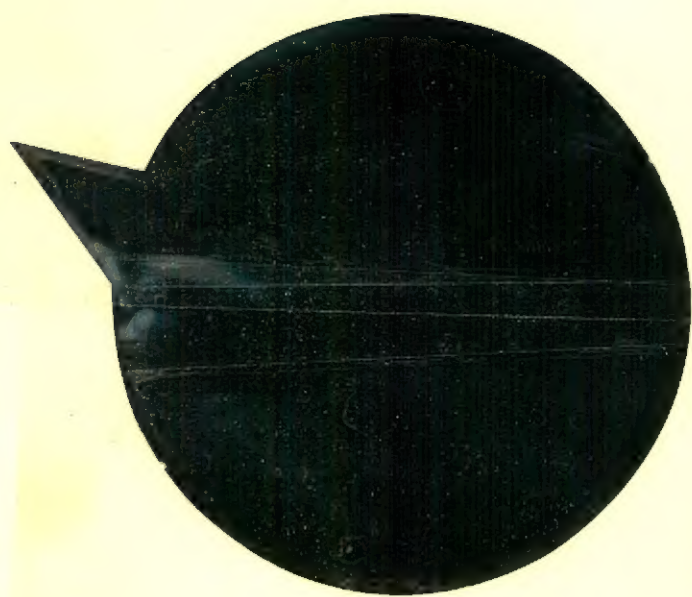
7th annual report



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FOR THE YEAR ENDED MARCH 31, 1957

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION



The world at your call



BOARD OF DIRECTORS

CHAIRMAN

D. F. BOWIE, *Town of Mount Royal, Que.*

•

R. M. BROPHY, *Toronto, Ont.*

JAMES HAMILTON, *Vancouver, B.C.*

C. P. EDWARDS, *Ottawa, Ont.*

A. F. MERCIER, *Quebec, Que.*

HEAD OFFICE
625 BELMONT STREET
MONTREAL

DIRECTORY

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

PRESIDENT AND GENERAL MANAGER	D. F. BOWIE	8th FLOOR
VICE-PRESIDENT AND SECRETARY	R. J. CASSIDY	8th FLOOR
CHIEF ENGINEER	R. G. GRIFFITH	8th FLOOR
DEPUTY CHIEF ENGINEERING	F. A. SMITH	8th FLOOR
TECHNICAL SUPERINTENDENT	K. L. SPARK	2nd FLOOR
COMPTROLLER	G. M. WATERHOUSE	8th FLOOR
CHIEF ACCOUNTANT	C. S. GREGORY	721
MANAGER OF PERSONNEL	J. E. WINCHOMBE	715
TRAFFIC MANAGER	J. R. LAMB	705
ASSISTANT TRAFFIC MANAGER	E. J. RYALL	705
ASSISTANT TRAFFIC MANAGER	H. L. BISAILLON	705
SUPERINTENDENT OF OPERATIONS	A. R. CARDNO	2nd FLOOR
MANAGER PUBLIC RELATIONS & TRAFFIC DEVELOPMENT	C. A. O'BRIEN	708
TRAFFIC PRODUCTION MANAGER	G. A. COWAN	708
ASSISTANT TO THE VICE-PRESIDENT	L. A. HARROLD	715
PURCHASING AGENT	A. W. QUIRK	712

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

BRANCH OFFICES

ST. JOHN'S, Nfld. • HALIFAX, N.S. • DRUMMONDVILLE, QUE. • YAMACHICHE, QUE. • TORONTO, ONT.
WINNIPEG, MAN. • VANCOUVER, B.C. • LADNER, B.C. • CLOVERDALE, B.C. • BAMFIELD, B.C.

THE PRESIDENT'S REPORT

June 26th, 1957.

HONOURABLE GEORGE H. HEES,
Minister of Transport,
Ottawa, Ontario.

Sir,

The Seventh Annual Report, covering the period April 1st, 1956, to March 31st, 1957, is herewith submitted on behalf of the Board of Directors, in accordance with the requirements of the Financial Administration Act.

Your attention is drawn to the fact that this report covers a twelve month period whereas the previous report covered 15 months due to a change then made in the fiscal year end in order to have it coincide with that of other Members of the Commonwealth Telecommunications Board.

FINANCIAL

The net profit for the twelve months ended March 31st, 1957, amounted to \$415,521, after providing \$262,377 for income tax and \$372,282 for interest on Government advances.

In addition to the figures for the period under review, those of the preceding twelve months as well as those of the preceding fiscal period of fifteen months are included in the following summary:

	12 months ended March 31		15 months ended March 31
	1957	1956	1956
Income	\$2,826,984	\$1,744,822	\$2,166,431
Expense:			
Operating	1,830,777	1,155,906	1,463,024
Administrative and General	173,565	153,611	186,900
Traffic Solicitation, Advertising and Publicity	144,744	119,178	147,595
Total Expense	2,149,086	1,428,695	1,797,519
Profit before provision for Income Tax	677,898	316,127	368,912
Provision for Income Tax	262,377	126,464	151,754
Net Profit for Period	415,521	189,663	217,158

Comparisons throughout this report are based on twelve month periods.

Income rose by 62% and the reasons for this substantial increase are commented upon in the report on Operations which follows.

Operating expenses rose by 58%; of this, the Corporation's share of Commonwealth Network expenses accounted for approximately one-half, and the balance represents increases in payroll, cost of maintenance of rented premises, cost of rented circuits and additional expense in respect of the new telex service.

Administrative and general expense increased by 13% principally because of new appointments and salary increases.

Traffic solicitation, advertising and publicity expense increased as a result of extended traffic development activities.

Due to a change in the Income Tax Regulations in 1954, the Corporation, in calculating income tax liability, has been using the rates of capital cost allowance permitted by the Department of National Revenue. The reduced amounts of income tax payable were previously included in the Statements of Income and Expense rather than the larger amounts that would have been arrived at had capital cost allowance for tax purposes been the same as depreciation recorded in the accounts. It has now been considered advisable to use the amount of depreciation recorded in the accounts in calculating the provision for income tax. In consequence, \$65,174 has been set up as "Cumulative Reduction in Income Tax Deferred to Future Years", as shown on the balance sheet, of which \$28,603 was transferred from surplus. The latter is the amount by which income tax payable was reduced to March 31st, 1956.

Financial Statements for the twelve months ended March 31, 1957, submitted herewith, have been audited by the Auditor General and his report is also included.

OPERATIONS

TELEGRAPH SERVICES

Receipts from telegraph traffic increased by 17%, the increase being spread fairly evenly over Trans-Atlantic, Trans-Pacific and West Indies services. A radio-telegraph link between Canada and France was opened at the end of May 1956 and traffic is now handled on this direct route thereby attracting new business in addition to that formerly handled through foreign relay points. Traffic originating in foreign countries transiting Canada and destined to points beyond continued the upward trend of recent years.

Traffic over the direct circuit with Germany, opened in 1955, continues to show important increases.

TELEPHONE SERVICES

Trans-Atlantic

Tuesday, September 25th, 1956, marked a turning point in Trans-Atlantic telephone service with the opening, some weeks ahead of the scheduled date, of

a new cable jointly owned and operated by the Corporation, the British Post Office and American Telephone and Telegraph Company. The greatly improved quality of service given over this new route proved so satisfactory that results exceeded our expectations and although the new facilities were in use for only six months, revenues for the whole year increased by 300%. Available capacity was immediately taken up and continues to be fully occupied. We are now actively planning for interim relief and for a second cable between Canada and the United Kingdom to be ready in 1961 in order to meet anticipated traffic growth.

Trans-Pacific

New radio stations in the vicinity of Vancouver, as well as a new office in that city, were completed and put into operation on November 1st, 1956. As a result, Canada for the first time is in direct communication with Australasia by telephone as well as by telegraph. Telephone business had previously been routed through San Francisco. Quality of service has been entirely satisfactory and results so far have been fully up to expectations.

Newfoundland

From 25th September, 1956, as a result of the completion of the Trans-Atlantic telephone cable route, an additional 24 circuits were made available on the section between Newfoundland and the Mainland. A number of these were put into service immediately and on October 15th, with the cooperation of the Trans Canada Telephone System, further substantial rate reductions were made effective. Rates are now completely in line with the general Trans-Canada pattern and an adequacy of facilities is now available. It is a pleasure to record that we have now implemented the assurance with respect to facilities and rates which had been made to Newfoundland. Receipts from this service showed a 14% increase over the previous comparable period.

West Indies

In keeping with the general trend, the volume of business on this route also showed an important increase amounting to 35%.

INTERNATIONAL TELEX

This service was introduced into Canada by the Corporation on December 3rd, 1956, and met with immediate acceptance by Canadian business houses. It provides for customer-to-customer teleprinter operation and facilities are paid for on the basis of the length of time they are used. Initial results indicate a volume of use at a level which we had estimated might only be expected a year or two after service was first offered.

PROGRAMME SERVICES

The telephone cable now permits high fidelity voice and music transmissions for broadcasting purposes and this too introduced a further important source of revenue which we expect to expand.

PICTURE TRANSMISSIONS

Excellent quality picture transmissions are now available across the Atlantic and it is expected that this service, the availability of which had previously been erratic owing to unstable radio conditions, will be much more in demand.

CIRCUIT RENTALS

With facilities available for private rentals on the Trans-Atlantic telephone cable and the connecting Microwave System in Eastern Canada, important new sources of revenue have been developed and these will, it is expected, substantially add to future receipts.

HEAD OFFICE

Our new head office building in Montreal was completed and finally occupied on March 9th when all operations were transferred from our former headquarters. The new building provides excellent working and operating conditions which should result in greater efficiency in our operations generally.

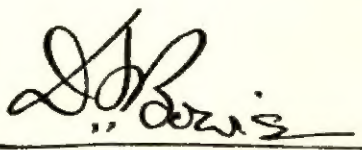
The year under review has seen the coming to fruition of a number of operational projects and it is particularly gratifying to be able to report at this time that these have all measured up completely to our expectations and our forecasts in most cases have been exceeded.

STAFF

The Agreement between the Corporation and its technical and operating employees expired on September 30th, 1956, and after negotiation a new agreement was written covering a one-year period ending September 30th, 1957.

ACKNOWLEDGEMENTS

A special expression of appreciation of the loyal efforts of all our officers and staff during the past year is merited in this report. The achievement during the year of the various goals on which we had set our sights called for extraordinary co-operation on the part of every employee. This was always forthcoming and we were thereby able to complete our programme on schedule.


President.

D. F. Bowie, Town of Mount Royal, Que.
R. M. Brophy, Toronto, Ont.
C. P. Edwards, Ottawa, Ont.
James Hamilton, Vancouver, B.C.
A. F. Mercier, Quebec, Que.

CANADIAN OVERSEAS TELECOM

(Established by the Canadian Overseas

Balance Sheet as at

(with comparative figures

ASSETS

	1957	1956
Cash	\$ 397,844	\$ 312,398
Accounts Receivable	1,037,865	307,488
Prepaid Expenses:		
Inventory of operating supplies and stationery, at cost.....	\$ 89,496	94,514
Circuit rentals, etc.	11,120	12,966
	100,616	
Recoverable from Commonwealth Network, in respect of losses on disposal of capital assets used for purposes of the Network	38,477	43,216
Bonds held as Contractor's Security Deposit (contra)	—	50,000
Cash and Investments held in trust in connection with provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company (contra)	544,170	460,283
Former Head Office Land, Building and Equipment, at net book value, pending disposal	278,924	—
Capital Assets, at cost:		
Land, with improvements	988,249	939,667
Buildings	3,795,515	3,049,310
Trans Atlantic Cable	4,299,771	2,624,647
Transmitters, receivers and other technical equipment	4,347,330	2,839,685
Office furniture and equipment, etc.	192,391	189,036
	13,623,256	9,642,345
Less: Accumulated provisions for depreciation	1,354,408	1,099,986
	12,268,848	8,542,359
	<u>14,666,744</u>	<u>9,823,224</u>

Certified:

D. F. Bowie

President and General Manager

Approved:

R. M. Brophy

Director

C. P. Edwards

Director

MUNICATION CORPORATION

Telecommunication Corporation Act)

March 31, 1957

as at March 31, 1956)

LIABILITIES

	1957	1956
Accounts Payable	\$ 526,842	\$ 543,540
Provision for Income Tax	152,767	71,953
Contractors' Holdbacks	47,620	82,562
Contractor's Security Deposit	—	50,000
Cumulative Reduction in Income Tax, Deferred to Future Years	65,174	—
Provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company	544,170	460,283
Reserve for obsolescence and increased cost of replacement of certain capital assets	280,980	280,980
	<u>1,617,553</u>	<u>1,489,318</u>
Capital:		
Advances from the Government of Canada under section 14 of the Act	\$12,336,064	8,050,000
Surplus, per Statement of Surplus	<u>713,127</u>	283,906
	<u>13,049,191</u>	<u>—</u>
	<u>14,666,744</u>	<u>9,823,224</u>

Certified in accordance with my report dated June 25, 1957 to the
Minister of Transport, under section 87 of the Financial Administration Act.

Watson Sellar
Auditor General of Canada

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

Statement of Surplus for the 12 months ended March 31, 1957

Balance as at April 1, 1956	\$283,906
Add: Prior years' adjustments (net)	42,303
	326,209
Deduct: Adjustment of Cumulative Reduction in Income Tax, Deferred to Future Years (see note)	28,603
	297,606
Add: Net Profit for the 12 months ended March 31, 1957, per Statement of Income and Expense	415,521
Balance as at March 31, 1957	713,127

Note: This adjustment is for the amount by which income taxes otherwise payable in respect of prior years were reduced by using in the calculations of income tax for those years, capital cost allowances permitted by the Taxation Division instead of the amounts of depreciation provided in the accounts.

VIA "CANADIAN"

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

Statement of Income and Expense for the 12 months ended March 31, 1957

(with comparative figures for the 15 months ended March 31, 1956)

	12 months ended March 31, 1957	15 months ended March 31, 1956
Income	\$2,826,984	\$2,166,431
Expense		
Operating	\$2,600,187	2,162,606
Deduct: Portion applicable to Commonwealth Network	1,794,635	1,561,818
	805,552	600,788
Add: Corporation's share of Commonwealth Network expenses (estimated)	1,025,225	862,236
	1,830,777	1,463,024
Administrative and General	289,060	319,644
Deduct: Portion applicable to Commonwealth Network	118,736	136,392
	170,324	183,252
Add: Corporation's share of Commonwealth Telecommunications Board's expenses (estimated)	3,241	3,648
	173,565	186,900
Traffic Solicitation, Advertising and Publicity	144,744	147,595
	2,149,086	1,797,519
Profit before Provision for Income Tax	677,898	368,912
Provision for Income Tax (see Note 2)	262,377	151,754
Net Profit for Period	415,521	217,158

Notes: (1) The amounts shown for expense for the period ended March 31, 1957 include \$388,880 for depreciation, \$73,341 for remuneration of executives, \$500 for directors' fees, and \$2,356 for legal expenses.

(2) The Provision for Income Tax is calculated by using the amounts of depreciation provided in the accounts rather than using the capital cost allowances claimed for tax purposes. In consequence, the provision exceeded income tax payable for the year by \$36,571.

Ottawa, June 25, 1957

The Honourable George Hees,
Minister of Transport,
Ottawa.

Sir,

The accounts and financial statements of the Canadian Overseas Telecommunication Corporation have been examined for the twelve months ended March 31, 1957. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion :

- (a) proper books of account have been kept by the Corporation;
- (b) the financial statements of the Corporation
 - (i) were prepared on a basis consistent with that of the preceding financial period and are in agreement with the books of account,
 - (ii) in the case of the balance sheet, give a true and fair view of the state of the Corporation's affairs as at the end of the financial period, and
 - (iii) in the case of the statement of income and expense, give a true and fair view of the income and expense of the Corporation for the financial period; and
- (c) the transactions of the Corporation that have come under my notice have been within the powers of the Corporation under the Financial Administration Act and any other Act applicable to the Corporation.

Yours faithfully,
WATSON SELLAR
Auditor General.

